

1 68, beginning on 67 and carrying over to 68, he
2 quotes from AT&T proposed Section 5.7.4, and
3 specifically on page 68 there are two pieces of
4 proposed contract language there that come into
5 play in issue III-5, and that is the sentence
6 immediately before the all-capped sentence, whether
7 Verizon pays to AT&T the approved tandem rate.
8 III-5 is the geographic coverage issue between the
9 geographic coverage of the AT&T end office switch,
10 whether it's comparable to Verizon tandem.

11 And the all-caps language which I believe
12 is something proposed in an effort to resolve this
13 raises the question of--it's actually not stated,
14 but uses the term "dedicated transport rate." And
15 as Mr. D'Amico explained in issue V-2, in our view,
16 that should not be a UNE rate, but rather an access
17 rate.

18 MR. GOYAL: Thanks for that clarification.

19 MR. OATES: Mr. Keffer pointed out to me
20 in this revised version, Mr. Talbott's testimony,
21 where Mr. Schell is added as a witness, the
22 reference is actually on page 69, not 68.

1 MR. GOYAL: I would like to turn to issue
2 VII-5.

3 Mr. D'Amico, am I correct in understanding
4 that Verizon's position is that it should not pay
5 distance-sensitive charges to AT&T where Verizon
6 purchases transport to an AT&T IP?

7 MR. D'AMICO: Yes. With the caveat when
8 AT&T only offered Verizon a limited number of IPs,
9 so this is indirectly tied to the VGRIP. Let's
10 just assume that there were no provisions
11 associated with where they put their IP.

12 And in effect, this is--this is an attempt
13 for Verizon to control its costs, so that if there
14 are no restrictions on AT&T as to where their IP
15 is, and it's located a hundred miles away, what
16 this language is basically saying is that Verizon
17 would have the option of handing off traffic to a
18 place other than AT&T's IP, but when AT&T goes to
19 bill Verizon for that, because it's a hundred miles
20 away and we have limited number of options, that
21 that component would not be charged to Verizon. It
22 would just be the entrance facility recurring type

1 charge.

2 MR. GOYAL: Is this the same as the offset
3 issue in VII-4?

4 MR. D'AMICO: It's another way of dealing
5 with that. In other words, if we had VGRIP
6 provisions with that offset language, this language
7 would not be required. This is kind of another way
8 to control Verizon's transport when the IP is not
9 within the local calling area.

10 MS. DAILEY: But in the example, the
11 traffic that is at issue would originate and
12 terminate in the same local calling area; correct?

13 MR. D'AMICO: The call would be to an NXX
14 that is rated within the local calling area. Where
15 it actually physically ends up, AT&T could have an
16 ISP a hundred miles away, and they just have a rate
17 center that's kind of the virtual FX issue, or
18 there actually be an AT&T end user within that
19 local calling area.

20 MR. GOYAL: Could you just clarify for
21 me--I understand that both the language under this
22 issue and the language proposed under VII-4, the

1 offset language, are intended to address the same
2 issue? Could you explain the way in which they're
3 different.

4 MR. D'AMICO: The offset is where Verizon
5 takes--physically takes its traffic all the way to
6 the AT&T POI. So, in the example I mentioned where
7 they have a POI that's a hundred miles away,
8 Verizon would haul the traffic all the way to their
9 front door, and so the UNE IOF offset would
10 recover--not recover, but make us whole for
11 that--hauling that.

12 With this situation, Verizon has not taken
13 it all the way hundred miles away. We dropped it
14 off to AT&T at one of like a cage or something, and
15 then AT&T is bringing it back and AT&T is going to
16 charge us for transport, and what we are saying is
17 if that's going to happen, they should at least
18 only charge us for as though their POI was right
19 there, an entrance facility as opposed to an
20 entrance facility and mileage.

21 So, obviously, if the VGRIP--if the VGRIP
22 language had the offset, then Verizon wouldn't

1 really need this language because the IP in the
2 second example would actually be at the cage and so
3 Verizon would--were to drop it off at the cage, and
4 actually AT&T wouldn't charge us anything to get
5 back to their switch.

6 MR. GOYAL: Mr. Talbott, assuming
7 hypothetically that the Commission does not adopt
8 Verizon VGRIPs proposal, why should AT&T recover
9 its distance-sensitive charges for the transport it
10 provides from direct trunks at a Verizon end office
11 to AT&T's network?

12 MR. TALBOTT: To provide the correct
13 economic incentives for Verizon. In this case
14 Verizon is the incumbent. They have a ubiquitous
15 telephone network throughout their serving area.
16 AT&T is a small competitor relatively so, and we do
17 not have ubiquitous facilities.

18 If the Commission adopted AT&T's POI
19 proposal, there is no such thing as an IP. Verizon
20 again would have a menu of options by which it may
21 select one of those options to deliver its traffic
22 to the POI so that we might terminate their

1 traffic.

2 Those options are they may self-provision,
3 and one of the options is that to the extent that
4 we have facilities available we would love to sell
5 them to Verizon, but because we are a competitor
6 and we are not forced to--we don't have ubiquitous
7 network. We shouldn't be forced to sell our
8 network at unbundled network element rates.

9 Verizon would have a choice of going
10 through a third-party carrier like WorldCom. We
11 have a number of competitive access providers that
12 have equipment located in our POPs that have also
13 facilities in many LATAs, then those facilities
14 would also be available.

15 So, you have competitive forces at work
16 that keep the price for transport at a market--at
17 the proper market level, and for AT&T to be
18 required to sell its transport to Verizon at below
19 market rates where we have no market power, to me,
20 is unfair and outside of the law.

21 MR. GOYAL: That's all I have.

22 MR. EDWARDS: For your own housekeeping

1 you probably all realize this, issue VII-5 is the
2 same as issue I-2 we already talked about just for
3 different carriers.

4 MR. GOYAL: Thanks for that clarification.

5 MR. DYGERT: Does either AT&T or Verizon
6 have any redirect for this panel?

7 MR. KEFFER: No.

8 MR. EDWARDS: I do have a couple of
9 questions.

10 REDIRECT EXAMINATION

11 MR. EDWARDS: With respect to Exhibit 59,
12 if that helps with any context, and if it doesn't,
13 don't limit yourself to that, within any local
14 exchange area in Virginia, is there only one
15 intermediate hub in that exchange area?

16 MR. ALBERT: No, there will be a number of
17 them.

18 MR. EDWARDS: Do you know relatively on a
19 percentage basis or how else we might measure them?
20 How many of the Verizon locations within a central
21 office would qualify as an intermediate hub?

22 MR. ALBERT: I don't know the number for

1 Virginia.

2 They're in the tariff.

3 MR. EDWARDS: Are they listed in the
4 tariff by local exchange area, or are they just
5 listed?

6 MR. ALBERT: Central offices.

7 MR. EDWARDS: All right. Mr. D'Amico, in
8 connection with issue V-2 on interconnection
9 transport and the questions that you received
10 regarding the hypothetical, does it matter what
11 level of transport is being purchased with respect
12 to the new UNE combination issue? For example,
13 does it matter whether it's a DS1 or DS3?

14 MR. D'AMICO: No, it doesn't matter.

15 MR. EDWARDS: That's all I have. Thank
16 you.

17 MR. DYGERT: Thank you. That concludes
18 our work with subpanel five, and I believe the only
19 three issues we have left were postponed from
20 subpanel four and are numbered IV-11, IV-34, and
21 IV-37.

22 And for those I think we need to get

1 Mr. Argenbright on the telephone.

2 MR. EDWARDS: I think the parties can
3 report that they have resolved IV-34.

4 MR. DYGERT: Better yet.

5 MR. MONROE: WorldCom concurs with that,
6 and yes, we will get Mr. Argenbright on the phone.

7 MR. EDWARDS: Before we do that, may I ask
8 for a short break?

9 MR. DYGERT: Sure.

10 MR. KEFFER: Before we do that, that
11 concludes the issues involving AT&T, and with your
12 permission we will be leaving for the day.

13 MR. DYGERT: That sounds great. Thank
14 you.

15 (Off the record.)

16 MR. DYGERT: Back on the record.

17 As I indicated before, we are doing now
18 what was previously part of subpanel four issues
19 IV-11 and IV-37.

20 For the record, we have with us again
21 Mr. D'Amico, Mr. Albert for Verizon, and
22 Mr. Argenbright for WorldCom, who is on the

1 telephone. Everyone has already been sworn, so
2 they are still under oath.

3 Who goes first?

4 MR. OATES: I hope it's not me.

5 MR. MONROE: WorldCom will go first.

6 CROSS-EXAMINATION

7 MR. MONROE: If I could direct your
8 attention to Verizon 9, which is your August 17th
9 direct, page 24.

10 MR. D'AMICO: I'm there, page 24.

11 MR. MONROE: I'm looking at in particular
12 lines 14 through 17. In that section of your
13 testimony you're talking about if the parties don't
14 have the ability to use and classify CPN calling
15 part number information on at least 90 percent of
16 the calls on an automated basis, then the
17 originating party will provide percent interstate
18 usage, PIU, and percent local usage, PLU; is that
19 correct?

20 MR. D'AMICO: Yes, sir.

21 MR. MONROE: And my question, then, is we
22 will assume for the sake of the discussion that

1 Verizon is the party that is receiving the traffic,
2 so WorldCom would be providing the PIU and PLU.

3 MR. D'AMICO: Okay.

4 MR. MONROE: After WorldCom provides those
5 factors to you--let me back up.

6 If it's not necessary to provide the
7 factors, how does Verizon use the CPN to determine
8 the call jurisdiction?

9 MR. D'AMICO: We look at the originating
10 CPN and the terminating CPN to determine if it's
11 interstate or intrastate.

12 MR. MONROE: Okay. There's only one CPN,
13 though, right? And that's associated with the
14 calling party, and I assume when you said
15 terminating CPN, you mean like terminating the
16 NPA/NXX? The called number?

17 MR. D'AMICO: Yes.

18 MR. MONROE: Let's go back to the scenario
19 where WorldCom provides the factors that you're
20 asking for. And in that scenario, Verizon would
21 use those factors, the PLU and PIU, on the portion
22 of the calls for which a CPN was not used; is that

1 right? Or would it use it on all of the calls?

2 MR. D'AMICO: It would use it on all the
3 calls because Verizon--well, Verizon has the
4 capability to determine the jurisdiction if it's
5 interstate or intrastate, but it does not yet have
6 the capability to determine if it's percent local
7 or not percent local, I guess.

8 MR. MONROE: So, you were just talking
9 about the actual current situation in Verizon's
10 network in Virginia; is that right?

11 MR. D'AMICO: Yes.

12 MR. MONROE: Let's see if I could rephrase
13 that or clarify it.

14 So, today in Virginia, Verizon could use
15 the CPN to differentiate between interstate and
16 intrastate?

17 MR. D'AMICO: Yes.

18 MR. MONROE: But cannot use the CPN to
19 differentiate between local and, I guess,
20 intra-LATA toll?

21 MR. D'AMICO: Correct.

22 MR. MONROE: So then, would Verizon plan

1 to use the CPN for the interstate versus intrastate
2 jurisdictional analysis and then use the PLU and
3 PIU to differentiate between local and intrastate
4 toll?

5 MR. D'AMICO: Yes, sir.

6 MR. MONROE: And you would use the PIU/PLU
7 to determine the local jurisdiction on all of the
8 intrastate traffic, or just intra-LATA?

9 MR. D'AMICO: The terminating--the traffic
10 coming in that's terminating on that group, so it
11 would be terminating traffic.

12 MR. MONROE: Are you talking about using
13 those factors only on the intrastate traffic?

14 MR. D'AMICO: Yes.

15 MR. MONROE: All of the intrastate or just
16 the intra-LATA traffic? How granular do you have
17 to get before you currently don't have the
18 capability to use the CPN?

19 MR. D'AMICO: What happens is the call
20 comes in, if we have CPN we put it in two buckets:
21 Interstate, intrastate. We then use the PLU factor
22 against the intrastate to determine the recip comp

1 rates versus the intrastate access rates.

2 MR. MONROE: Okay. So, you're using the
3 factors for all intrastate calls?

4 MR. D'AMICO: Yes.

5 MR. MONROE: You might actually determine
6 that some of the traffic is actually intrastate
7 intra-LATA?

8 MR. D'AMICO: Yes, but we don't really
9 have it. In Virginia I'm not sure there is a
10 category for that in the access world.

11 MR. MONROE: Okay. Now, let's talk about
12 the case where less than 90 percent of the traffic
13 originated by WorldCom has a CPN, and I think
14 that's where the parties have a disagreement; is
15 that right?

16 MR. D'AMICO: Yes.

17 MR. MONROE: And WorldCom's proposal is
18 that it would provide the PIU and PLU factors, and
19 Verizon would provide them. And Verizon's proposal
20 is that it would apply the higher interstate or
21 intrastate access rate to that traffic; is that
22 right?

1 MR. D'AMICO: Yes, sir.

2 MR. MONROE: I don't think Verizon's
3 language mentions whether it would be the
4 originating or terminating access rate. Does
5 Verizon have a position on that?

6 MR. D'AMICO: It would be terminating
7 traffic, so it would be terminating access rate.

8 MR. MONROE: It would be the higher of
9 terminating intrastate or terminating interstate
10 access rates?

11 MR. D'AMICO: Correct.

12 MR. MONROE: And that would be without
13 regard to the actual jurisdiction of that traffic?

14 MR. D'AMICO: The jurisdiction would be
15 unknown because there is no CPN.

16 MR. MONROE: Would you agree with me that
17 it's possible or even likely that some of that
18 traffic is local?

19 MR. D'AMICO: Sure.

20 MR. MONROE: But regardless of that,
21 Verizon would--Verizon's proposal would be to
22 charge access on all of the traffic, even if a

1 portion of it were local?

2 MR. D'AMICO: Yes.

3 MR. MONROE: Okay. Can you tell me the
4 legitimate circumstances when the CPN would not be
5 available.

6 MR. D'AMICO: Typically there's traffic
7 originated on certain types of older PBXs where
8 there would be no CPN, and therefore the CPN isn't
9 passed--I'm not sure of all the ins and outs--and
10 that's why we came up with that 90 percent to say
11 that that 10 percent should account for those rare
12 or those older type situations where CPN just
13 physically doesn't get passed.

14 MR. MONROE: I guess you would agree with
15 me that the majority of the traffic on which CPN is
16 not passed for a legitimate purpose is because the
17 traffic originated on a PBX?

18 MR. D'AMICO: On a--

19 MR. MONROE: Particularly older PBXs.

20 MR. D'AMICO: Yes, that's my
21 understanding.

22 MR. MONROE: And would you also agree with

1 me that PBXs generally are used by business
2 customers and not by residential customers?

3 MR. D'AMICO: I would agree with that.

4 MR. MONROE: And are you aware that
5 currently in Virginia WorldCom does not serve
6 residential customers?

7 MR. D'AMICO: No.

8 MR. MONROE: Would you accept, subject to
9 checking, that WorldCom does not serve residential
10 customers in Virginia?

11 MR. D'AMICO: I believe you.

12 MR. MONROE: Okay. Well, would you agree
13 with me that WorldCom is more likely to have
14 customers using PBXs on a percentage basis than,
15 say, versus Verizon is?

16 MR. D'AMICO: Yes, sure.

17 MR. MONROE: And just to clarify, if a
18 WorldCom customer with an older PBX makes a call
19 and the CPN is not passed, WorldCom cannot do
20 anything about that. Those are circumstances
21 beyond WorldCom's control; is that correct?

22 MR. D'AMICO: Correct.

1 MR. MONROE: So, it's entirely possible
2 that due to circumstances beyond WorldCom's
3 control, less than 90 percent of the traffic passed
4 from WorldCom to Verizon would have CPN on it; is
5 that correct?

6 MR. D'AMICO: It sounds like it based on
7 your circumstances.

8 Again, depending on the businesses and
9 what type of PBX they had.

10 MR. MONROE: And could you explain why
11 Verizon would not be satisfied with WorldCom's
12 proposal to provide the PLU and PIU factors on that
13 portion of the traffic for which CPN was not
14 passed.

15 MR. D'AMICO: Normally, that would be an
16 acceptable arrangement. Our concern is that using
17 either the billing telephone number or some other
18 billing type of indicator, that can be manipulated
19 or may not be, you know, as accurate as CPN. The
20 only thing we are trying to do here is to deter
21 CLECs, I guess unscrupulous CLECs, who, for
22 whatever reason, for monetary reasons, either strip

1 off that CPN and say "I don't know what it is,
2 where it's coming from, and trust me, this is all
3 recip comp traffic."

4 And so, although we understand the
5 situation where WorldCom would have no control over
6 these older PBXs, and we are willing to try--again,
7 we thought the 10 percent would take that into
8 account on a normal carrier, we are not looking to
9 get access revenue where we normally shouldn't.
10 What we are trying to do is prevent CLECs from just
11 stripping off the CPN or using some billing
12 telephone number on the trunk and saying, "Hey,
13 Verizon, this is all traffic that I'm sending you,
14 and it should be recip comp," and in reality it's
15 not. It's access or--it's access.

16 So, that was the intent. That's what we
17 are trying to do. We are not trying to penalize
18 anybody. We are just trying to avoid a problem.

19 MR. MONROE: You actually brought up a
20 couple of points I want to explore in a minute
21 related to the billed telephone number, but I was
22 specifically asking you about the PIU/PLU proposal

1 from WorldCom. But I'm assuming your answer
2 applies also equally to the PIU/PLU proposal?

3 MR. D'AMICO: Right.

4 Again, the problem with the PLU is when we
5 get a factor, again, if it's a normal carrier they
6 have some supporting documentation, but if we get
7 into a situation where somebody is trying to pull a
8 fast one kind of thing, this is trying to address
9 that situation. So, it's nothing against WorldCom.
10 It's nothing against a lot of the carriers. It's
11 just the few that possibly could arise.

12 MR. MONROE: Okay. And would you agree
13 with me if we were to adopt the WorldCom proposal
14 using the PIU and PLU, that Verizon would have
15 audit rights under the contracts to audit the
16 factors that WorldCom reports to Verizon?

17 MR. D'AMICO: Yes.

18 MR. MONROE: So that if WorldCom were
19 incorrectly reporting those factors for--because of
20 errors or for nefarious reasons, Verizon could
21 discover that through audits and adjustments could
22 be made; right?

1 MR. D'AMICO: That would be correct.

2 Again, if we run into a situation with a
3 CLEC who is trying to commit fraud, if you will,
4 basically they're going to say I don't have any CPN
5 or I don't have any of the information. Just take
6 my word for it kind of thing, and that's we are
7 trying to avoid this because audits tend to be
8 rather expensive.

9 MR. STANLEY: I'm confused. Maybe I could
10 clear something up.

11 Under WorldCom's proposal, would WorldCom
12 or an unscrupulous CLEC that would opt into this
13 sometime in the future be able to say, "Hey, all of
14 this traffic is local, I want recip comp on all of
15 it," or wouldn't under WorldCom's proposal the
16 PIU/PLU ratio would apply?

17 MR. D'AMICO: It would be the PLU ratio,
18 but again they could say the PLU is a hundred
19 percent.

20 MR. STANLEY: But didn't you just--didn't
21 you just say that in the contract Verizon has audit
22 rights?

1 MR. D'AMICO: Yes.

2 MR. STANLEY: So, why wouldn't the audit
3 rights be able to uncover that the 100 percent is
4 actually false?

5 MR. D'AMICO: Well, because again they
6 would say I don't have any CPN on this. They would
7 just kind not work with us. And I don't know what
8 we would audit if they don't have any records.

9 So again, what we are saying is here is
10 the worst case. If you don't conform to this, we
11 assume it's all access, even though there could be
12 some recip comp in it. We may be able--again, I
13 don't know how to address the PBXs that don't send
14 a CPN, but again we thought that the 90 percent was
15 a 10 percent kind of weighing factor, if you will.

16 MR. MONROE: Before I get on to the
17 alternative proposal you touched on a little bit, I
18 want to go over the initial conversation and what
19 we just talked about together.

20 Verizon is going to rely to the PIU/PLU
21 factors provided by WorldCom in all circumstances
22 to determine that a call is local because Verizon